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*For consistency, as part of the Capital Project activities, we asked five young consultants in the countries where the program is implemented (Peru, Ecuador, Colombia, Chile and Mexico) to carry out assessments of four areas: poverty and social policies; conditioned transfer programs; the relationship between conditioned transfer programs and the financial system; and characteristics of the financial system in relation to the savings of the poor.*

## COUNTRY ASSESSMENT: COLOMBIA \*

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### CURRENT STATE OF POVERTY IN COLOMBIA

Colombia has shown steady economic growth since 2002. Currently, however, the economic situation reflects serious problems. GDP growth has been halved (3 percent) in one year. This deceleration has serious implications, especially for the most vulnerable population. The decrease in GDP is also linked to a greater increase in poverty.

In late 2005, there were 20.3 million poor Colombians, 6 million of whom lived in extreme poverty. Poverty and indigence rates were highest in rural areas (68,2 percent and 25,5 percent, respectively), as was inequality.

### SOCIAL POLICIES FOR COMBATING POVERTY IN COLOMBIA

The most ambitious government program for connecting the supply of services for the poorest population is the JUNTOS (“Together”) network, whose purpose is to “connect displaced households and those in extreme poverty with the government’s social services. It proposes that beneficiary families meet 45 basic targets in nine areas.”<sup>1</sup>

\* The complete document is available at The Capital Project web page: [http://proyectocapital.org/index.php?fp\\_verpub=true&idpub=115](http://proyectocapital.org/index.php?fp_verpub=true&idpub=115)

1. Conpes Social Paper 102, “Red de protección social contra la extrema pobreza,” Consejo Nacional de Política Económica y Social, Republic of Colombia and Departamento Nacional de Planeación, Bogotá, 25 September 2006.

In Colombia, however, different national government entities implement different income-generation programs.

The following are the entities and their programs.

- 1) Social Action:  
Small-scale social and market chains, microenterprise capitalization of mini market chains, Women Savers in Action,<sup>2</sup> Recuperation of Non-Productive Assets, Comprehensive Income-Generation Assistance for the Displaced Population, Food Security Network, Productive Projects – Presidential Program against Illicit Crops.
- 2) Ministry of Agriculture and Rural Development:  
Program of Rural Opportunities, Productive Partnerships, Technical Assistance: Provincial farm business management centers.
- 3) BANAGRARIO:  
Credit Line for Small Farmers, Credit Line for Displaced Population, Credit Line for Women Heads of Households and Rural Microentrepreneurs, Credit Line for Women Heads of Urban Families, Credit Line for Microentrepreneurs.
- 4) Colombian Institute for Rural Development (*Instituto Colombiano para el Desarrollo Rural, INCODER*):  
Comprehensive subsidy for starting basic farm businesses, land titling for colonization areas and small farm reserves.
- 5) National Apprenticeship Service (*Servicio Nacional de Aprendizaje, SENA*):

2. One of the projects most closely tied to the Capital Foundation's goals. It is also the first savings deposit program in Colombia.

Rural youth, Youth in action.

- 6) Advisory Service for Women's Equality (*Consejería para la Equidad de la Mujer*):  
Urban and rural women heads of households.
- 7) President's Office: Ana Julieta Program:  
Women Heads of Household and Microentrepreneurs Program.

According to an evaluation by the National Planning Department, however, these programs have a series of problems. The main one is that because each program is targeted independently, beneficiaries are too heterogeneous. In addition, it is nearly impossible for people to meet the requirements for qualifying for assistance from these programs. Finally, constant changes in the programs make it impossible to evaluate them or measure their impact.

### CONDITIONED CASH TRANSFER PROGRAMS IN COLOMBIA

The following are the basic characteristics of the conditioned transfer program called Families in Action (*Familias en Acción*).

The Families in Action program provides direct cash assistance to the beneficiary mother, conditioned on the family's compliance with a series of commitments, including children's school attendance and scheduled appointments for monitoring children's growth and development.

The purpose is to contribute to the formation of human capital in families in extreme poverty, through two strategies: i) complementing the income of families with children under age 18, and ii) serving as the coordinating arm of the JUNTOS social protection network.

Families in Action is financed by the Investment Fund for Peace (*Fondo de Inversión para la Paz*), with resources from the national government and multilateral agencies.

There are currently 1.7 million beneficiary families in Level 1 of the System for Identification of Potential Beneficiaries of Social Programs (SISBEN), displaced families registered in the Information System on the Displaced Population, and indigenous families registered in indigenous censuses supported by the Ministry of the Interior and Justice, with children under age 18.

The program has a two-stage operational cycle:

- i) The first part consists of procedures for identifying and selecting municipalities and program beneficiaries; building institutional consensus at the municipal level; registering eligible families; and making the first payment. The program can repeat this phase as often as necessary to expand coverage in the selected municipalities.
- ii) The second phase consists of program activities, and takes less time than the Phase I procedures. This phase consists of procedures for handling changes and complaints; institution building; promoting health and education; shared responsibility and verification of education and health commitments; the second and subsequent payments; and the exit of families from the program.

The Families in Action program makes conditioned transfer payments in two-month cycles. The amount varies depending on the child's age and year in school.

There are three types of payments:

- i) Conditioned nutrition transfer, for families with children under age 7 (US\$50).
- ii) Conditioned transfer for children in primary school, between ages 7 and 11 (US\$15).
- iii) Conditioned transfer for youths in secondary school (US\$30).

Payments are made through financial entities regulated by the Financial Superintendent's Office.

### RELATIONSHIP BETWEEN THE CONDITIONED TRANSFER PROGRAM AND THE COLOMBIAN FINANCIAL SYSTEM

The banks that make payments to the beneficiary mothers are the Banco Agrario, Banco de Bogotá, Banco Popular, Banco de Occidente, Davivienda, Bancolombia and BBVA.

These banks guarantee the program that the payments will be made only to the beneficiaries, ensuring that neither the program nor local governments use these funds in other ways. The bank makes the payment directly at the teller counter, and keeps a record of each transaction.

Payments are made in four ways:

- i) Beneficiary municipality payment
- ii) *Caja extendida*
- iii) Neighbor municipality payment
- iv) Payment with rechargeable card

The program does not promote any other financial service. With rechargeable cards, however, beneficiaries have begun to use other tools such as automatic teller machines and data phone payments. Indirectly, this constitutes a promotion of passive financial products.



OPPORTUNITIES FOR USE OF SAVINGS ACCOUNTS BY POOREST SEGMENTS OF THE POPULATION

It was initially proposed that beneficiaries open savings accounts, but this option was discarded due to the costs of handling accounts.

Instead, an "electronic change purse" was implemented. This payment system with cards began operating in 2008. The advantage is that payment is immediate and allows better resource management, speed, mobility, empowerment, trust, and a closer relationship with the formal financial system.

While the savings account continues to be the financial product with the greatest penetration in the country – more than 15.1 million adults have accounts – the percentage of

Colombians without access to the financial system remains high.

According to a study by Marulanda and Paredes,<sup>3</sup> the main reason for not having a financial product is lack of resources (67 percent), followed by little need for the product. Nevertheless, there is as well as a lack of adaptation of financial products to the needs of people in the rural sector.

Finally, there is also a phenomenon of self-exclusion, in which low-income people remains outside the financial system because of distrust, lack of understanding, embarrassment, or simply because they do not think they can be clients of financial institutions.

3. Marulanda, Beatriz, and Paredes, Mariana. "Acceso a servicios financieros en Colombia y políticas para promoverlo a través de instituciones formales. Diagnóstico." Bogotá, February 2006.



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